

WESTPAC RBNZ CLIENT PULSE SURVEY

25 May 2026

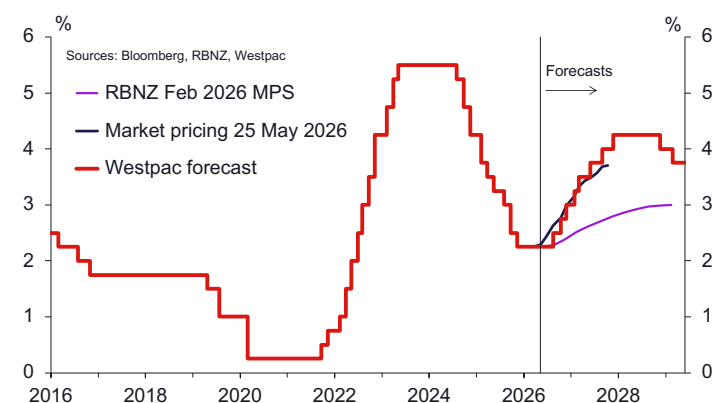


Westpac RBNZ client pulse survey

Key take-outs.

- Our May Westpac Client Pulse survey of 139 clients showed that most expect no change in the OCR at this week's RBNZ policy meeting. A small number of them expect a 25bp hike.
- However, it could be a close-run thing. Just over half of respondents expect that the decision will go to a vote, with many of them expecting more than one dissenter.
- Looking further ahead, most clients expect the RBNZ to signal two or three rate hikes by the end of this year. There are varying opinions as to whether they will end up delivering on this though.
- Inflation expectations have risen substantially since the last survey, with nearly half of respondents seeing it around 3% or higher even two years from now. Importantly, that seems to be more than just a reflection of the recent spike in fuel prices, which are expected to moderate over the year ahead.
- Looking across central banks, the RBA is expected to tighten by more than other central banks, including the RBNZ, over the rest of this year (despite already having a head start).
- Clients believe that RBNZ Governor Breman has been fairly consistent with her messaging over the last few months.

Official Cash Rate forecasts



What will the RBNZ do at its May meeting?

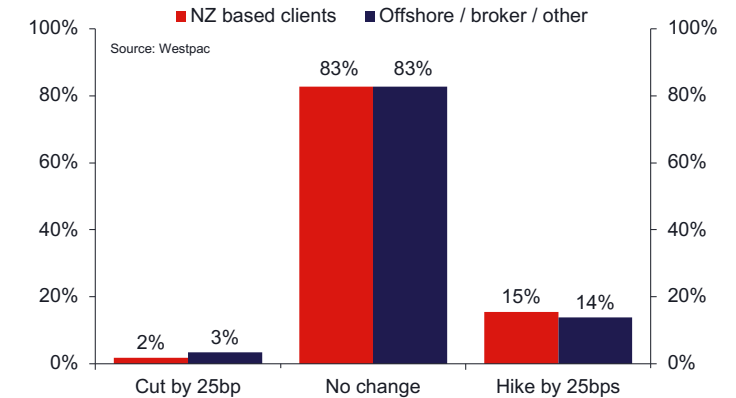
RBNZ expected to remain on hold this week.

- A strong majority (83%) of clients expect the RBNZ to leave the OCR on hold at this week's policy meeting.
- However, around 15% of respondents expect the RBNZ to start hiking interest rates now. A small number expect a cut this week.
- Policy expectations are similar across domestic and offshore clients.

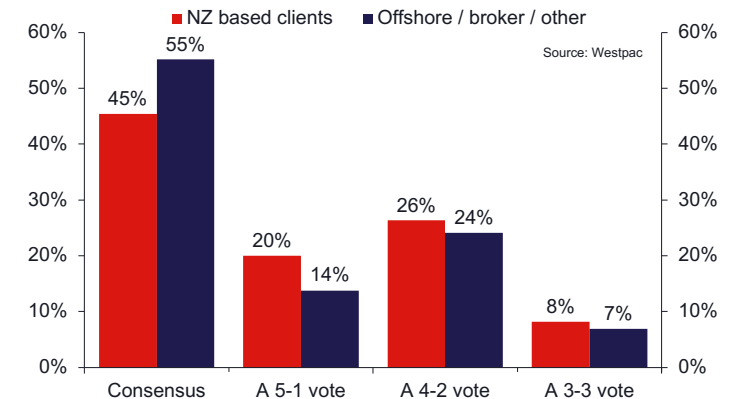
But it could be a very close call.

- Notably, over half of respondents expect this week's decision to come down to a vote. Of those expecting a vote, around 20% thought that it would be in favour of a 25bp hike.
- Moreover, clients think it could be quite finely balanced, with a 4-2 vote the most popular option amongst those that expect a vote. Some also thought it could be a 3-3 vote (in this event the Governor would cast the deciding vote).
- This will be the first meeting under the Monetary Policy Committee's revised charter, where votes will be attributed if a consensus can't first be reached. The record of the April OCR meeting noted that "some members" placed more emphasis on the arguments for an early monetary policy response.

What will the RBNZ do this week?



How will the Committee reach its decision?

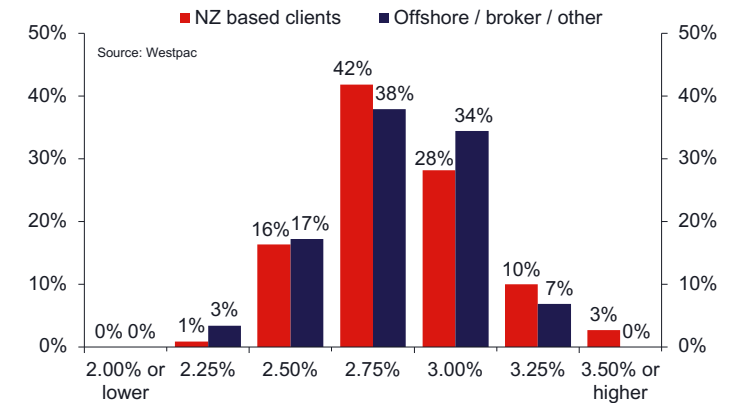


RBNZ policy projection, end of 2026.

RBNZ's rate hike projections to be pulled forward.

- Looking beyond this week's decision, most clients expect the RBNZ's OCR projections to signal at least two rate hikes by the end of this year. In its February *Monetary Policy Statement*, the RBNZ projected an OCR of 2.38% on average over the December quarter, suggesting a single 25bp hike towards year-end.
- The majority of respondents expect the RBNZ to signal either two or three OCR hikes by year-end, with two hikes the more popular option. Offshore-based clients were slightly more inclined towards three hikes than were NZ-based clients.
- A small number of clients thought that the RBNZ could project the OCR rising above 3% by year-end. The RBNZ's estimate of the long-run 'neutral' cash rate is around 3%, although in the short run the 'neutral' level could be higher or lower depending on conditions.
- As the RBNZ's OCR projection is for an average over the quarter, we need to be careful with interpreting what this means for the OCR at a given point in time, especially when there are multiple dates on which hikes could occur. Perhaps more important will be the RBNZ's messaging around how quickly and how far it expects to move once it does begin tightening.

Where will the RBNZ project the OCR at end 2026?

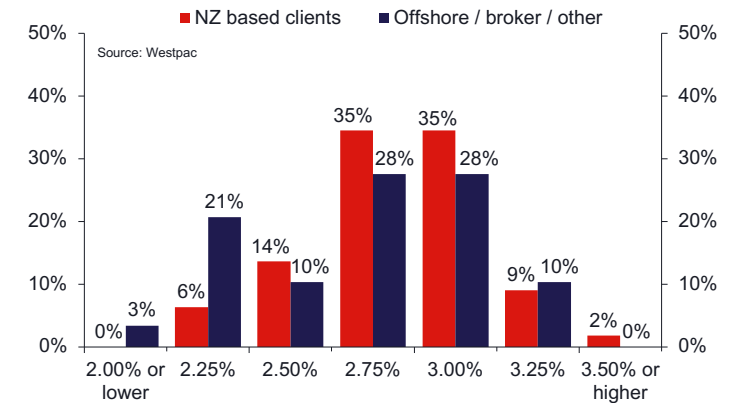


Where will the OCR actually be at the end of 2026?

Differing views as to what the RBNZ will actually deliver.

- There are some differences of opinion among clients as to whether the RBNZ will follow through on its OCR projections for this year.
- This split is more apparent among offshore-based clients, with fewer expecting two or three hikes this year, and indeed around a quarter of them expect that the RBNZ won't hike at all this year. This may reflect greater sensitivity among offshore-based clients to the growth impacts of the Middle East conflict.
- In contrast, while NZ-based clients leaned towards the RBNZ projecting a 2.75% OCR by year-end, opinions as to where they actually end up were split evenly between 2.75% and 3.00%.
- The distribution of views has shifted substantially since our February Pulse survey, where the most popular options were an OCR of 2.50% or 2.75% by year-end. Only 7% of respondents expected an OCR of 3% or more.

Where will the OCR actually be at end 2026?

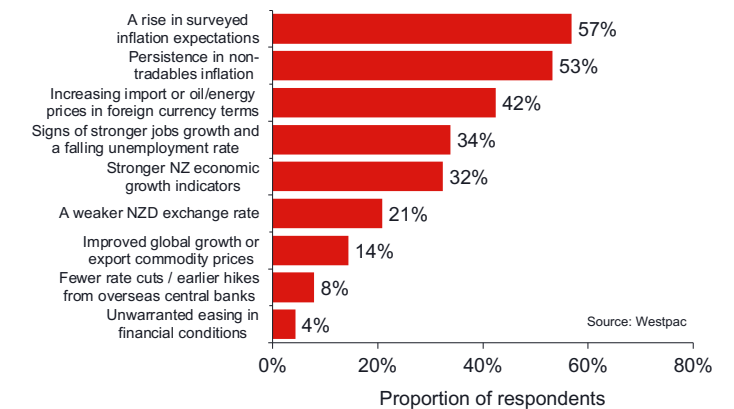


What factors could affect the RBNZ's policy stance?

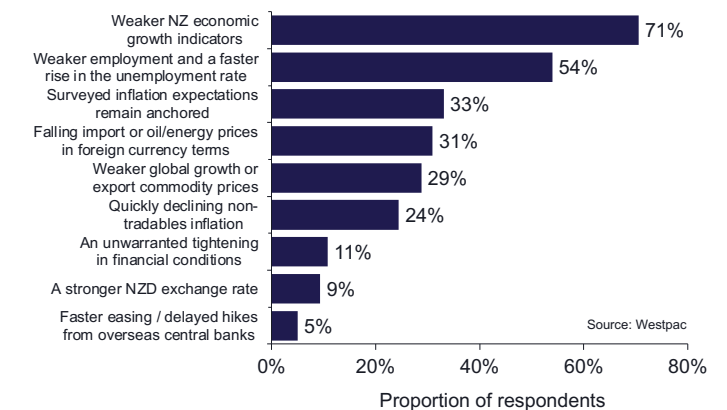
Asymmetric risks to the RBNZ's tightening path.

- For these two questions we asked clients to choose up to three risk factors that could alter the RBNZ's tightening plans.
- Responses were mixed, with inflation factors seen as the biggest risk to the upside, while growth factors were the biggest downside risk. In contrast, in our February survey clients overwhelmingly saw domestic growth and the strength of the labour market as the biggest risks in both directions.
- Among factors most likely to prompt a faster tightening by the RBNZ, both NZ-based and offshore clients highlighted surveys of inflation expectations as the most important factor. This may reflect the fact that the RBNZ itself has noted that it will be looking at high-frequency indicators for any signs of second-round inflation pressures.
- Persistent non-tradables inflation was also highlighted as a risk by both NZ-based and offshore clients. Notably, a number of offshore clients also raised domestic growth and employment as upside risks.
- There was more agreement that weakness in domestic activity was the main factor that could slow the RBNZ's hand.
- Only a minority of clients saw the pace of policy tightening overseas as a factor that could sway the RBNZ one way or another. Global financial conditions were also not seen as a significant factor.

Which factors are most likely to prompt faster RBNZ tightening?



Which factors are most likely to prompt delayed RBNZ tightening?

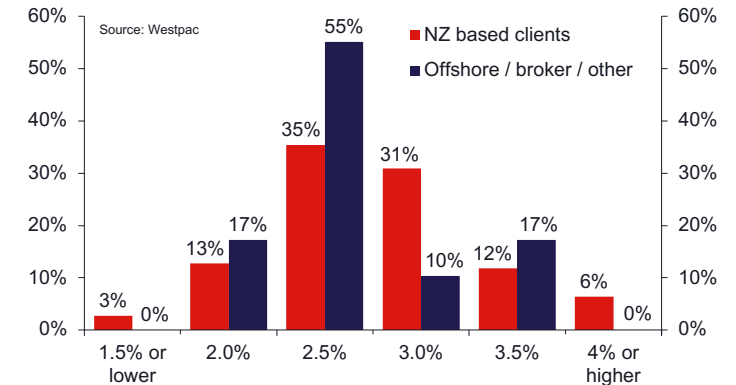


Where will inflation be in two years' time?

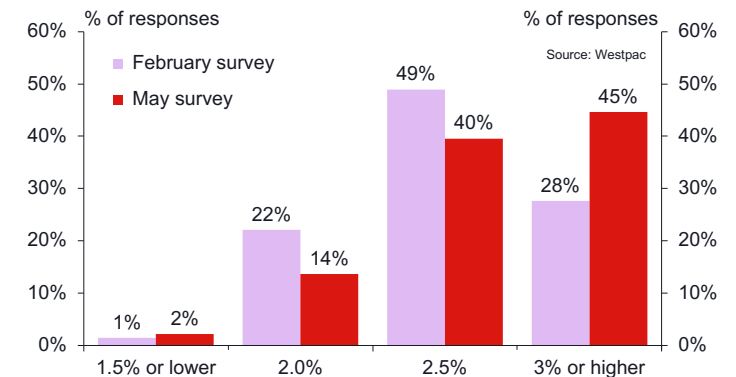
Inflation expectations have taken another step higher.

- Clients' expectations of where the inflation rate will be in two years' time – the relevant horizon for current monetary policy settings – have lifted significantly compared to the February survey.
- While the results aren't directly comparable (we had to expand the range of possible responses this time), a substantially greater share of respondents expect inflation to still be at the top of the RBNZ's target range or even higher after two years.
- The most common response was that inflation was likely to be around 2.5% (rounded to the nearest half-percent) in two years' time. There are also a significant number of clients, especially NZ-based ones, who expect inflation to be in the range of 3%.
- This uptick in inflation expectations has also been seen in other surveys, including the RBNZ's own measures. While the surge in oil prices resulting from the Middle East conflict means that people rightly expect a spike in the inflation rate over the year ahead, there is also concern that inflation pressures will linger after the initial oil price effect has washed out.
- There was a mildly positive correlation between client's inflation expectations and what they expect oil prices to do over the next year. But for the most part, there doesn't appear to be an 'immediacy bias' to clients' expectations for inflation over the medium term.

Where will inflation be in two years' time?



How have expectations changed since our last survey?



Financial market conditions

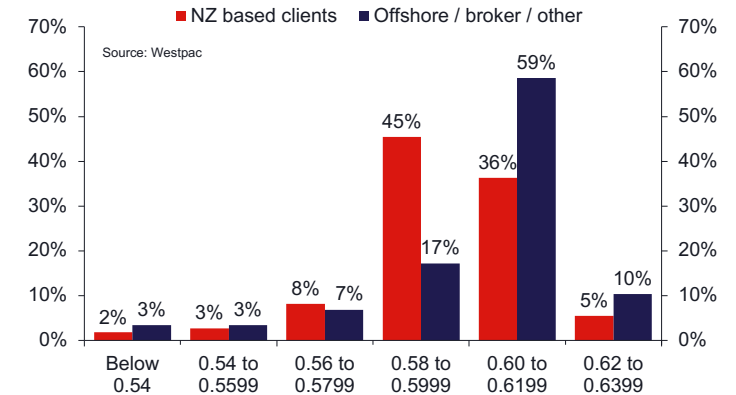
The NZD/USD is expected to rise modestly over 2026.

- Clients expect the New Zealand dollar to be flat to modestly higher against the US dollar at the end of the year.
- 45% of local respondents saw the currency in the 0.58-0.60 range (the spot rate was around 0.5850 at the time of the survey), with another 36% expecting it to rise into the low 60s. Offshore clients were more inclined towards a modest appreciation.
- Westpac's forecast is for the exchange rate to rise to around 62c by the end of 2026, reflecting some further weakness in the US dollar combined with policy tightening by the RBNZ.

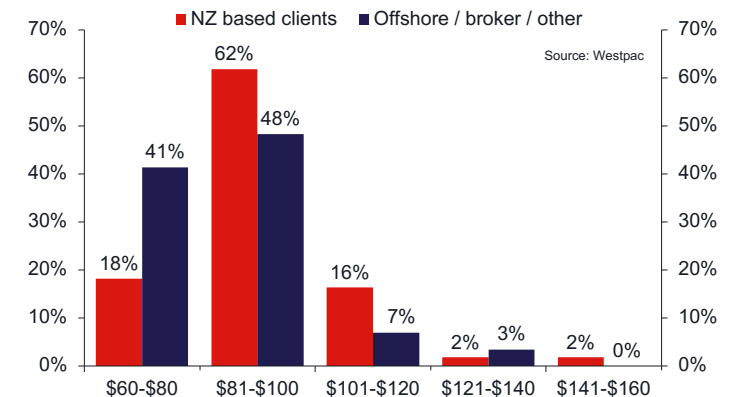
World oil prices expected to moderate over the next year.

- Most clients expect world oil prices to ease from their current highs over the next year. The majority expect Brent crude to fall into the \$80-\$100 per barrel range (it was around \$110/bbl at the time of the survey). Nearly a quarter of respondents expect an even larger fall.
- A small number of respondents foresee a more dire outcome, with oil prices remaining at current levels or higher even a year from now.

Where will the NZD/USD end 2026?



Price of Brent crude oil a year from now?



Central bank perceptions

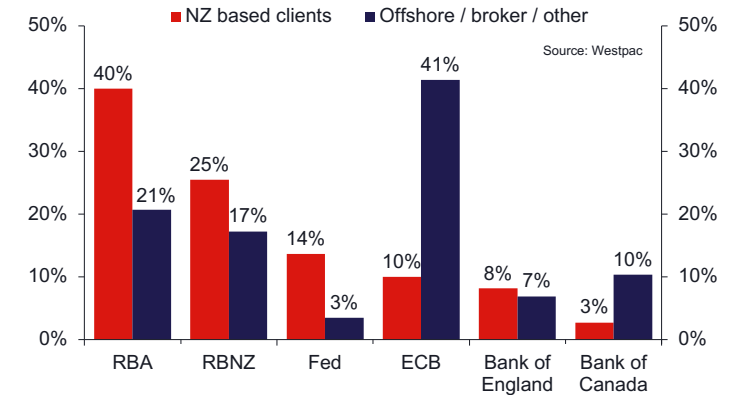
The RBA is still expected to take the lead on rate hikes.

- NZ-based clients remain of the view that the Reserve Bank of Australia will be the most hawkish of the major central banks over the coming months. That's despite the fact that the RBA has already started the tightening process, delivering three 25bp cash rate hikes so far this year.
- The RBNZ is also seen as likely to move faster than its Northern Hemisphere counterparts.
- Notably, offshore-based clients (who will likely have more visibility over global central banks) expect the European Central Bank to tighten the most aggressively this year. The RBA and RBNZ came in second and third.

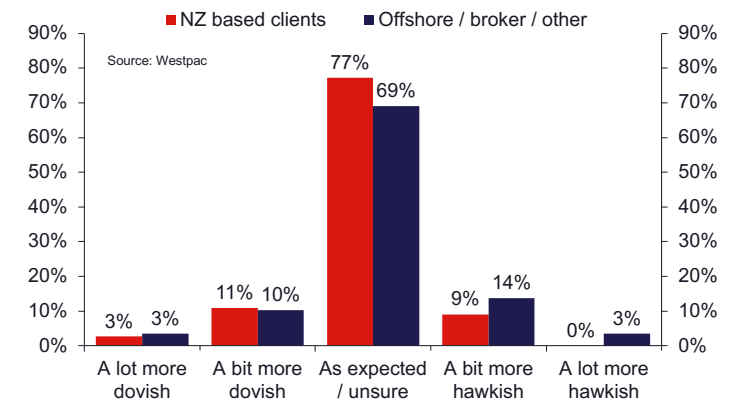
RBNZ Governor seen as staying on message.

- In our February Pulse survey, our clients' perceptions of new RBNZ Governor Anna Breman were generally neutral to slightly dovish. Now that they've heard a bit more from the Governor, a few clients have shifted their views, but the shift has been in both directions. Overall it appears that the Governor has been fairly consistent in her messaging over the last few months.

Which central bank will hike most over the rest of 2026?



Has your perception of the RBNZ Governor changed since Feb?



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